

# **EXHIBIT 57**

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## Message

**Sent:** 6/25/2022 10:08:20 AM  
**To:** McGhee, Ben [ben.mcgee@kc.frb.org]; Crouse, Tyler [tyler.crouse@kc.frb.org]; Parton, Malea [malea.parton@kc.frb.org]  
**CC:** Lee, Shelly [shelly.lee@kc.frb.org]; Conwell, Shawn [shawn.c.conwell@kc.frb.org]  
**Subject:** RE: Custodia Review Documents

Great question, Ben. Not surprisingly, I'm not sure there is a definitive or conclusive answer that we can provide at this juncture, though I'll offer up the following:

- If Custodia is required to obtain deposit insurance to become a member bank, this question becomes moot as the normal FDIC resolution process would kick-in.
- If the Board determines that Custodia could be approved as an uninsured state member bank, this resolution matter is a reasonable question/issue to raise for their consideration. If
- Andrea/CRRM might want to consider how non-depository trust company resolution plans are viewed/handled relative to a Master Account application and see if a similar analytical approach could be applied to Custodia. They should have a fresh example from Reserve Trust that they could use to get a general sense of how they might view Custodia.

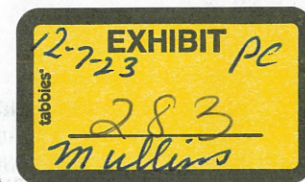
**Jeff Imgarten**

Assistant Vice President | Applications & Enforcement

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**From:** McGhee, Ben <Ben.McGhee@kc.frb.org>

**Sent:** Tuesday, May 10, 2022 11:53 AM

**To:** Imgarten, Jeffrey <jeffrey.imgarten@kc.frb.org>; Crouse, Tyler <tyler.crouse@kc.frb.org>; Parton, Malea <Malea.Parton@kc.frb.org>

**Cc:** Lee, Shelly <shelly.lee@kc.frb.org>; Conwell, Shawn <shawn.c.conwell@kc.frb.org>

**Subject:** FW: Custodia Review Documents

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Jeff, Tyler, and Malea,

FYI - I've been corresponding with Andrea Mullins on the analysis that will be required to act on the Custodia membership application and whether that covers gaps that CRM identified in the master account review. In general, I represented that there is a lot of overlap and pre-membership assessments would cover each risk area, including all policies/procedures.

Her most recent message inquires about the resolution process. To this point, we have not discussed how this may impact the membership. I don't view it as factor that must be addressed specifically under Reg H, but it seems to be a



relevant policy question. That is, do we agree with the resolution framework adopted under state law? If not, would we require some enhancements (capital, reserves, master account collateral) through commitments/operating conditions?

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**From:** Mullins, Andrea <[Andrea.Mullins@kc.frb.org](mailto:Andrea.Mullins@kc.frb.org)>

**Sent:** Tuesday, May 10, 2022 9:54 AM

**To:** McGhee, Ben <[Ben.McGhee@kc.frb.org](mailto:Ben.McGhee@kc.frb.org)>

**Subject:** RE: Custodia Review Documents

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Ben,

We had one other question come up. Will the membership review include coverage of the resolution process?

Thanks,



**Andrea Mullins**

*Examiner · Supervision and Risk Management*

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**From:** McGhee, Ben <[Ben.McGhee@kc.frb.org](mailto:Ben.McGhee@kc.frb.org)>

**Sent:** Friday, May 06, 2022 3:14 PM

**To:** Mullins, Andrea <[Andrea.Mullins@kc.frb.org](mailto:Andrea.Mullins@kc.frb.org)>

**Subject:** RE: Custodia Review Documents

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Hi Andrea,

To get to approval on the membership, we would ultimately need to see policies and procedures covering each risk area. Thus, I expect that each of questions you raised would be covered by pre-membership examination assessment(s). (I understand we may be getting some assistance from the System Crypto Task Force to begin the pre-membership assessments in earnest).

We also have raised a few policy questions with the Board that overlap with the questions in the spreadsheet, particularly those related to GLBA and capital standards. I have included the list below.

Let me know if you need more specificity on the items in your spreadsheet and I can respond to each.

**Custodia Questions**



- The Change in Bank Control Act does not appear to apply to uninsured institutions. Should we stipulate or condition that Custodia be treated similarly given policy implications raised by future share transfers that could result in Custodia coming under the control of individuals that do not possess the competence, experience, integrity, and financial abilities consistent with statutory expectations for depository institutions?
  - Similar question raised during our conversation today regarding BHC Act.
- Certain elements of the Custodia business plan (including the Avit) may not be permissible for a state member bank. A fulsome legal assessment of products and services would need to be undertaken before commencement. Should we consider operating commitments that require consultation with the FRS prior to engaging in any new product line, particularly those that require approval of the Commissioner of the State of Wyoming?
- As an SMB, it appears that Custodia would be subject to capital requirements outlined in Regulation Q. However, RB supervisory staff have advised that the risk-based capital framework is not adequate to measure the operational risk posed by the Custodia business model.
  - What is the appropriate capital framework to apply to Custodia if approved as a state member bank? (Reserve Bank recommendations have been made – BASEL framework for operational risk)
  - The relevant capital framework would need to be identified, agreed to, and memorialized in operating conditions, prior to approving the membership.
  - Given the unique business model, should we consider requiring Custodia to establish an operational reserve account (i.e., cyber incident reserve or reserve accounts for other identifiable risks)
- Do investment securities permitted for a SPDI to hold align with permissible investments for any insured state member bank? If not covered by Reg H or the FRA, consider whether Custodia must consent to compliance with relevant statutes through conditions or commitments.
- What specific information security standards would apply to Custodia if approved as an uninsured member bank (GLBA)?
  - Given the unique business model, should we require Custodia to maintain a cyber incident reserve
- How will the Board find that Custodia meets the convenience and needs standard?
  - Custodia has represented the CRA does not apply and it meets convenience and needs by filling a market need. Views itself as similar to a financial market utility.
  - If insured, a CRA Strategic Plan would likely be required because Custodia cannot lend.
  - If uninsured, would the FRS require a CRA-like Strategic Plan, or impose a financial inclusion framework (similar to proposals offered by the OCC fintech/payments charter)?

Thanks,  
Ben



**Ben McGhee**

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**From:** Mullins, Andrea <[Andrea.Mullins@kc.frb.org](mailto:Andrea.Mullins@kc.frb.org)>

**Sent:** Friday, May 06, 2022 10:33 AM



To: McGhee, Ben <[Ben.McGhee@kc.frb.org](mailto:Ben.McGhee@kc.frb.org)>

Subject: Custodia Review Documents

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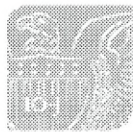
Hi Ben,

Based on results from the prior reviews of Custodia's documents, CRRM has created a list of documents that we believe are outstanding from a Master Account perspective. These documents are listed in column C "what we need", with comments from reviewing examiners on the left, and notes on the right.

We were curious if you could review this list and let us know if these are something that A&E plans on reviewing/requesting as part of the membership review? And if any of these items would not be included in your review, could you please let us know which ones those are? We are not asking A&E to request items on our behalf, but are hoping to leverage the work your team will be doing so as to avoid any duplicative requests going forward.

Please let us know what you think, and let me know if you have any questions about the document.

Thanks!



**Andrea Mullins**

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